

# **Social Security Administration** **Office of the Inspector General**

Semiannual Report to the Congress  
October 1, 1998 Through March 31, 1999



# Message from the Acting Inspector General

---

It is a distinct pleasure to present the achievements of the Social Security Administration's (SSA) Office of the Inspector General (OIG) for the first half of FY 1999. From October 1, 1998 through March 31, 1999, our Office has continued to surpass our previous accomplishments. We have successfully completed pilot projects and expanded these projects across the Nation. We have begun exciting new work to eliminate and *prevent* fraud, waste, and abuse in the Social Security programs.

The Office of Audit reported over \$4 million in questioned costs and over \$135 million in recommendations that funds be put to better use. The Office of Investigations' growth also is proving more than worthwhile. For this reporting period, our work resulted in monetary accomplishments totaling over \$61 million for the Government. We have already surpassed our FY 1999 appropriation by over \$140 million.

The SSA Fraud Hotline, which is administered by the OIG, moved to a new facility that allows for an increase in staff and provides a cutting-edge allegation management system. Our capability to accept allegations of fraud, waste, and abuse has increased fourfold. Our new paperless process will allow for the expedient referral of allegations, which leads to a quick turnaround for administrative and investigative cases.

At the request of the Congress, we have completed our Government Performance and Results Act (GPRA) Work Plan, which is contained in this Report. We look forward to further assisting the Congress in ensuring that performance goals are set and are accurately measured. Our relationship with SSA in implementing GPRA is collegial and, at their request, we provide input to their planning process, as appropriate.

Having just celebrated the 20<sup>th</sup> anniversary of the Inspector General Act, now is an opportune time to remind ourselves of our mission and vision. As agents of positive change striving for continuous improvement in SSA's programs, operations, and management, we will improve SSA's programs and operations and protect them against fraud, waste, and abuse. We will continue to focus our work in the light of these statements and to work with SSA to achieve measurable results.

Sincerely,



James G. Huse, Jr.  
Acting Inspector General

# Table of Contents

---

*Office of the  
Counsel to the  
Inspector General*

**3**

*Office  
of  
Investigations*

**5**

*Office  
of  
Audit*

**19**

Resolving Office of the Inspector General Recommendations **31**

Reports Issued From October 1, 1998 Through March 31, 1999 **33**

Appendixes

# Acronyms

---

*The following acronyms  
are used in this report.*

<b>ATM</b>	Automated Teller Machine
<b>CDI</b>	Cooperative Disability Investigation
<b>CDR</b>	Continuing Disability Review
<b>CTI</b>	Counter Technology Incorporated
<b>DDS</b>	Disability Determination Services
<b>DSS</b>	Department of Social Services
<b>FBI</b>	Federal Bureau of Investigation
<b>FICA</b>	Federal Insurance Contributions Act
<b>FY</b>	Fiscal Year
<b>GPRA</b>	Government Performance and Results Act
<b>IMMS</b>	Integrated Marketing Measurements System
<b>INS</b>	Immigration and Naturalization Service
<b>IRS</b>	Internal Revenue Service
<b>MIDAS</b>	Modernized Interim Disability Adjudication System
<b>OASDI</b>	Old-Age, Survivors and Disability Insurance
<b>OCIG</b>	Office of the Counsel to the Inspector General
<b>OI</b>	Office of Investigations
<b>OIG</b>	Office of the Inspector General
<b>OHA</b>	Office of Hearings and Appeals
<b>OMB</b>	Office of Management and Budget
<b>RSO</b>	Regional Security Office
<b>SSA</b>	Social Security Administration
<b>SSI</b>	Supplemental Security Income
<b>SSN</b>	Social Security Number

# Office of the Counsel to the Inspector General

---

**T**he Office of the Counsel to the Inspector General (OCIG) provides legal advice and counsel to the Inspector General, senior executive staff, and the Offices of Audit and Investigations thereby ensuring that their products comply with relevant Federal laws and/or regulations.

OCIG is also responsible for regulatory commentary pursuant to the Inspector General Act of 1978, as amended. Additionally, OCIG reviews proposed legislation and regulations relating to the Social Security Administration's (SSA) programs and operations. Finally, OCIG uses civil remedies to advance SSA's "Zero Tolerance for Fraud" initiative.

## Civil Monetary Penalties

### Misleading Advertising

Under section 1140 of the Social Security Act, SSA may impose civil monetary penalties against entities that use SSA's program words, letters, symbols, or emblems in advertisements or other communications in a misleading manner by inferring SSA's approval, endorsement, or authorization. The Commissioner of SSA has delegated this authority to the Inspector General. In this reporting period, OCIG reviewed complaints or referrals involving 31 new entities and issued 2 cease and desist letters. OCIG closed 19 existing and/or new cases because there was no violation of section 1140. OCIG also issued one *Notice of Proposal to Impose Penalties* letter in an ongoing section 1140 case. OCIG has 27 potential 1140 cases under review.

### False Statements

Under section 1129 of the Social Security Act, and as authorized by the Attorney General pursuant to established procedures, SSA may impose penalties against individuals who make certain material false statements or omissions (after October 1, 1994) to receive benefits under the Social Security Act. The Commissioner delegated the civil monetary penalty responsibility under this section to the Inspector General. In this reporting period, OCIG reviewed five new cases, referred from the Office of Investigations (OI), and imposed \$16,186 in assessments and \$15,000 in penalties in two final actions. OCIG and OI are working together to increase the number of 1129 referrals in instances where criminal and civil declinations from the Department of Justice have already been obtained.

For example, a civil monetary penalty of \$21,496 was imposed against a representative payee who intentionally received Supplemental Security Income (SSI) benefits for 2 years on behalf of a beneficiary who was incarcerated and therefore ineligible. During that period, the representative payee made false statements to SSA on two occasions, concealing the incarceration and falsely representing that the beneficiary was living with her.

## **Cooperative Initiatives to Address Identity Fraud**

OCIG has provided training materials on the potential effect of the *Identity Theft and Assumption Deterrence Act of 1998* to SSA employees and Office of the Inspector General (OIG) staff. In addition, OCIG and OI staff members are meeting with the Federal Trade Commission to assist in the establishment of a data base for identity theft information. OCIG has identified and communicated to SSA the challenges associated with implementing the new identity theft legislation.

## **Government Performance and Results Act**

The Government Performance and Results Act (GPRA) of 1993 requires that Federal agencies set performance goals, measure performance against those goals, and report publicly on performance. SSA has developed a strategic plan and two annual performance plans that establish the performance goals it is seeking to achieve.

In this reporting period, OCIG participated in an intergovernmental effort to address issues that every OIG faces. The GPRA Coordinators Interest Group addresses issues faced by Inspectors General in their efforts to comply with GPRA's reporting requirements. This Group also attempts to determine the OIG's proper role in reviewing agency compliance with GPRA. This Group discusses such issues as information verification and validation as well as the development of meaningful performance measures. The Group also invites speakers from such agencies as the General Accounting Office who offer their recommendations and thoughts.

## **Legislative Review and Advocacy**

The OIG provided significant input into House Resolution 631, the *Supplemental Security Income Fraud Prevention Act of 1999*. This Act contains several provisions that implement prior OIG audit recommendations. For example, an OIG evaluation, *Overpayments Incurred by Representative Payees*, found that representative payees received about \$41 million in overpayments. To address this problem, House Resolution 631 would hold the overpaid representative payee primarily liable for overpayments made after a beneficiary's death. Additionally, an OIG audit, *Review of Asset Transfers for Supplemental Security Income Eligibility*, found that individuals were transferring valuable assets to become eligible for SSI. House Resolution 631 would prevent such individuals from abusing the SSI program by disposing of valuable assets solely to receive SSI benefits. The Acting Inspector General appeared before the Committee on Ways and Means, Subcommittee on Human Resources, on February 3, 1999, to express support for full legislative implementation of these important audit recommendations.

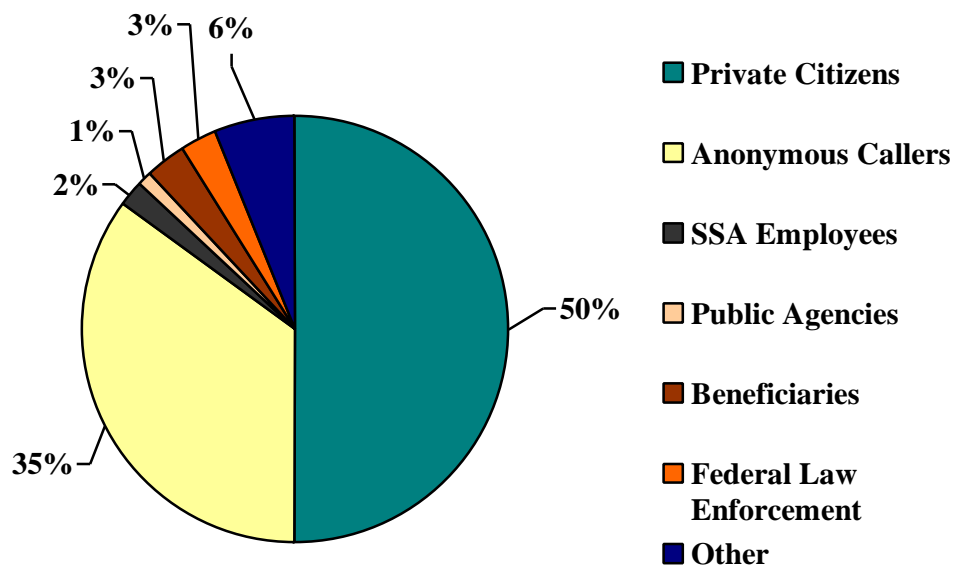
# Office of Investigations

**O**I conducts and coordinates investigative activity related to fraud, waste, abuse, and mismanagement in SSA's programs and operations. This activity includes wrongdoing by applicants, beneficiaries, contractors, physicians, interpreters, representative payees, third parties, and SSA employees. OI also conducts joint investigations with other Federal, State, and local law enforcement agencies. OI is organized into 10 field divisions nationwide that correspond to SSA's 10 regions. There are also four divisions located at Headquarters.

## SSA Fraud Hotline

The SSA Fraud Hotline is the major vehicle for receiving allegations regarding fraud, waste, and abuse in SSA's programs and operations. The Hotline receives allegations from numerous sources including private citizens, anonymous callers, SSA employees, public agencies, beneficiaries, Federal law enforcement, and other (see Chart 1 below). Each month, the Hotline receives about 25,000 telephone calls and about 5,000 pieces of correspondence via mail, electronic mail messages, and faxes.

Chart 1:  
Allegations Received



Based on the volume of allegations the Hotline receives, we have increased the staff to 54 Hotline Program Specialists. In March 1999, a new facility was opened to house this expanded Hotline operation. As of March 1, 1999, the Hotline was fully staffed and operational.

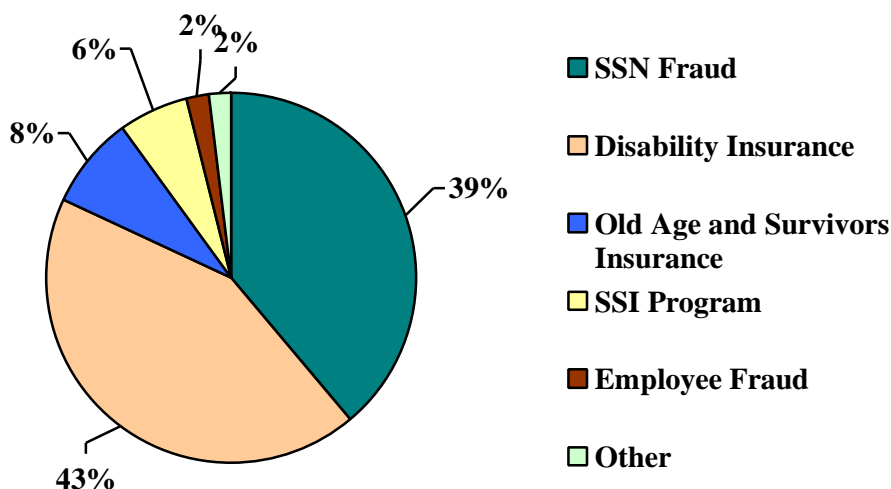
Allegations fall into four major categories: Social Security number (SSN), Disability Insurance, Old-Age and Survivors Insurance, and SSI program fraud. Also, a small percentage of the allegations involve employee and other types of fraud (see Chart 2 below).

The Hotline staff analyzes and develops incoming allegations and determines the appropriate action to be taken based on this analysis. Allegations that indicate potential fraud are referred for investigation to our OI field divisions while others are referred to SSA for further development or administrative action.

Historically, the Hotline staff has referred 13 percent of the allegations to OI field divisions, while it has referred 22 percent of the allegations to SSA for development and/or administrative action. We also referred 3 percent of the cases to other agencies that had jurisdiction over the allegations, such as the Department of Health and Human Services for Medicare/Medicaid or the Immigration and Naturalization Service (INS) for illegal immigration. The remaining allegations were closed through administrative procedures because, after analysis, it was determined that there was no violation (13 percent), insufficient information was provided to detect a subject and/or violation (33 percent), or no monetary loss to SSA programs was established (16 percent).

We are continuing our efforts to modernize the operation. These efforts include the creation of a state of the art computer environment that includes imaging, data base controls, automated workflow routing, electronic archiving, and retrieval capability.

Chart 2:  
Allegations By Category





## Investigative Projects and Case Summaries

We have focused our work on the six areas in SSA's programs and operations that have potential for widespread fraud and abuse:

- Employee Fraud,
- Disability Fraud,
- Residency Fraud,
- Institutionalization/Eligibility,
- Payments Made to Deceased Individuals, and
- SSN Misuse.

During this reporting period, we initiated 4,027 new investigations, closed 3,340 cases, and reported \$61,940,521 in funds (see Tables 1 and 2). The following sections describe this work and highlight selected investigations.

**Table 1:**  
**Investigative Statistics**

Allegations Received	19,585
Cases Opened	4,027
Cases Closed	3,340
Convictions	1,436*
*includes 620 fugitives and 362 illegal alien apprehensions	

## Employee Fraud

The integrity of SSA programs as well as the privacy and integrity of SSA's data base information is directly related to the honesty of SSA's employees. Investigating cases of employee misconduct is our first priority. During this reporting period, we initiated 71 employee investigations, closed 76 employee investigations, and took judicial actions that resulted in the conviction of 11 SSA employees. An additional 20 SSA employees were the subject of administrative action including termination or removal, suspension, or resignation.

We have initiated a national project to identify, investigate, and prosecute SSA employees who access SSA's electronic records systems to commit program fraud or other crimes. This project also identifies individuals from outside of SSA who attempt to compromise the integrity of SSA employees and who would illegally benefit from SSA's data base information.

As part of this project, we are also involved in a cooperative effort with the financial and credit communities to identify SSA employees who are providing confidential SSN data base information to individuals who use the information to activate stolen credit cards. This cooperative effort has identified several SSA employees who provided SSA data base information to activate stolen credit cards.

For example, an SSA employee provided 4,500 numident reports to a West African credit card fraud ring. The fraud ring used the activated credit cards to defraud financial institutions of approximately \$2.1 million. OI Special Agents arrested five members of the fraud ring, including the SSA employee in January 1999.

*In addition to the investigations conducted under this national project, we investigated allegations against individual SSA employees. Summaries of two cases follow.*

### ***Two SSA Employees Sentenced for Defrauding SSA***

We investigated two SSA employees who misused their positions to defraud SSA of \$174,312. The principal offender, an SSA employee, worked as a Benefits Authorizer in a Program Service Center. In that capacity, the employee authorized the issuance of SSA checks to be made payable to herself as well as her relatives, friends, and acquaintances. The employee solicited a fellow worker to expand the scheme. As a result of this investigation, both employees were terminated from their positions with SSA and prosecuted in Federal court. The principal SSA employee was sentenced to 15 months in prison and 3 years' probation and was ordered to pay SSA \$174,312 in restitution. The second employee was sentenced to 5 years' supervised probation and ordered to pay SSA \$20,993 in restitution.

### ***Individuals Sentenced in Scheme to Bribe SSA Employee***

We conducted a joint investigation with the Federal Bureau of Investigation (FBI) after we received an allegation from the SSA Regional Security Office (RSO) that a Service Representative's computer activity was suspicious. The investigation revealed that the Service Representative had processed fraudulent Social Security card applications for several hundred illegal aliens for two individuals.

The two men were sentenced to home confinement and probation after pleading guilty to conspiracy to commit bribery. The Service Representative pled guilty to conspiracy and was sentenced to 6 months home confinement, 3 years' probation, and a \$3,000 fine.

**Table 2:  
Funds Reported**

	SSA Funds	Non-SSA Funds	Total Funds
Scheduled Recoveries	\$10,796,956	\$336,714	\$11,133,670
Fines	48,864	453,642	502,506
Settlements/Judgments	354,011	100,000	454,011
Restitution	5,838,837	3,717,429	9,556,266
Estimated Savings	38,706,472	1,587,596	40,294,068
<b>Total</b>	<b>\$55,745,140</b>	<b>\$6,195,381</b>	<b>\$61,940,521</b>

## **Disability Fraud**

We began a pilot project with SSA's Office of Disability in fiscal year (FY) 1998. The project initially established five Cooperative Disability Investigation (CDI) teams in Atlanta, Baton Rouge, Chicago, New York City, and Oakland. The teams are composed of OIG Special Agents and State law enforcement officers, SSA staff, and State Disability Determination Services (DDS) professionals. The CDI teams facilitate timely and accurate decisions in the field and help keep ineligible applicants off the rolls.

The CDI teams investigate initial claims that DDS personnel deem to be suspicious. The results of these investigations are reported to the DDS to either verify or refute the suspicions and provide sufficient evidence to sustain any denials through the appeals process. As more fraudulent applications are found, investigators gather valuable intelligence that helps identify patterns of criminal activity as well as the doctors, lawyers, interpreters, and other service providers who facilitate and promote the fraud.

In this reporting period, the CDI teams documented \$107,920 in restitution and scheduled recoveries to SSA and identified \$9 million in estimated SSA program savings by determining ineligibility at the application stage. The following examples of investigations by the CDI teams illustrate the positive effect these teams have on the disability process.

### ***Prosecution of Two Criminal Cases Prepared by a CDI Team***

The first case involved a woman who entered the United States illegally and used a fraudulent birth certificate to create a false identity, establish citizenship, and obtain Medicaid through State welfare. She also applied for and received SSI payments. CDI investigators interviewed the woman who signed a statement wherein she admitted she was not a citizen and knew it was illegal to receive SSI payments under an assumed name. The overpayment exceeded \$100,000.

The second case was referred for investigation to the CDI team by an SSA District Office. The case concerned a man who confessed to collecting nearly \$90,000 in SSI payments between 1974 and 1998 under his brother's name. He did this while legitimately collecting disability benefits under his own name. The man reported that he initially needed the extra money to help pay his girlfriend's medical bills and subsequently used the money for personal purchases.

### ***CDI Team Investigations Provide Sufficient Evidence to Deny Two Claimants***

DDS staff referred a case to the CDI team after an initial claim for SSI benefits was denied and the claimant filed an appeal. The claimant alleged that she was mostly housebound and could not walk without the aid of a walker. The Office of Hearings and Appeals (OHA) remanded the case to the DDS, which then enlisted the CDI team's assistance. The team visited the woman's home and found that she lived in a second story apartment, which was only accessible via a steep stairwell. The team also found that the claimant had renewed her driver's license without any handicap attachments. Witnesses stated that the claimant could drive and walk without a walker. When confronted

by investigators, the woman admitted she could walk without the use of her walker and had misrepresented other facts. The DDS consequently notified the OHA of its decision to deny the appeal.

The CDI team also investigated the case of a 29-year-old recipient of SSI payments and disability benefits who was scheduled for a Continuing Disability Review (CDR). The claimant reported that, after contracting hepatitis, she suffered from a “nervous condition, depression, leg and stomach pain”. She alleged she was unable to perform simple tasks, such as combing her hair and dressing herself. She repeatedly claimed that she seldom, if ever, drove a vehicle.

During examinations by physicians and a psychiatrist, she routinely gave nonsensical answers. Investigators discovered the claimant had qualified to become a school bus driver and possessed a commercial driver’s license, which required successful completion of a 4-week training course, during and after which the claimant was reported to have been articulate, knowledgeable, and proficient. The commercial driver’s license also required a physical examination, at which the claimant professed to be healthy and without any physical, mental, or emotional problems that would effect her ability to safely operate a school bus. The claimant has been sent a notice of cessation of benefits, and the case has been presented to the U.S. Attorney for prosecution.

### ***CDI Team Conducts Surveillance and Recommends Denial of Benefits***

A DDS referred a case to a CDI team that involved a female applicant for disability benefits. The applicant alleged back problems, and, at a consultative examination, relied heavily on two crutches to walk. However, the Medical Consultant found few physical findings to support her need for crutches. The Medical Consultant approved the subject for benefits a few days after the case was referred to the CDI team. CDI investigators subsequently conducted surveillance, where they observed the subject walking over half a mile and minimally relying on only one crutch. At times during her walk, she did not use the crutch at all. The Medical Consultant viewed the surveillance video and, as a result, changed his assessment of the subject’s functional capacity—just 18 business days after the CDI team received the referral. The case was reopened and denied.

*In addition to the CDI teams’ proactive efforts to identify and address disability fraud, other instances of disability fraud and abuse are reported to, and investigated by, our special agents nationwide. Some examples of their efforts are discussed below.*

### ***Man Caught After 25 Years of Defrauding SSA***

We conducted a joint investigation with the U.S. Postal Inspection Service of a man who created a false identity to continue receiving disability benefits while he was gainfully employed. The man created a second identity under which he was employed as a truck driver. The man continued the scheme for over 25 years while he earned enough income to disqualify him for benefits. The man pled guilty to Social Security fraud and was sentenced to 366 days’ incarceration and 3 years’ supervised release, and he was ordered to pay \$131,210 in restitution to SSA.

### ***Man Sentenced for Cheating Social Security Disability Program***

We conducted an investigation concerning a man who began receiving disability benefits in 1976 because of a spinal injury. In 1996, a concerned citizen reported to SSA that the man was performing landscaping services as well as operating trucks and large equipment. The citizen also videotaped the man while he was working. During an interview with a Claims Representative, the man wore a neck brace and walked with a limp to deceive the Claims Representative; he denied any work activity and provided false statements to the Claims Representative. Our investigation confirmed that the man had been working since 1976 and was, in fact, operating a landscaping business. On October 9, 1998, the man was sentenced to 5 months' incarceration followed by 3 years' probation and ordered to pay SSA \$80,745 in restitution.

### ***Doctor Admits to Social Security Fraud***

We conducted this joint investigation with a local Attorney General's, Law and Public Safety, and U.S. Attorney's offices. Our investigation involved a doctor who was submitting fraudulent information to SSA. The doctor admitted to Social Security fraud regarding his execution of an *Application for Disability Insurance* benefits at an SSA District office in 1993 and the subsequent receipt of \$67,634 in benefits. The receipt of the SSA benefits coincided with the dates that similar disability claims were filed with various private insurance carriers. The man pled guilty to a second-degree charge of attempted theft by deception. He was sentenced to 5 years' incarceration; fined \$45,125; and ordered to make \$135,684 in restitution to several sources, including \$70,126 to SSA.

## **Residency Fraud**

This national investigative project was established to address residency issues as they pertain to entitlement/eligibility under various SSA programs. The project focuses on identifying SSI recipients who fraudulently receive payments in violation of U.S. residency requirements. In most instances, individuals who receive SSI payments are required to reside in the United States or Northern Mariana Islands to maintain their eligibility. One aspect of particular concern with the SSI program involves individuals who enter the country as resident aliens or refugees, obtain citizenship to become eligible for payments, and then return to their countries of origin.

The projects are underway in New York, Miami, Chicago, and Dallas. Recent highlights are summarized below.

**New York.** The OIG and SSA Region II continue to lead the Nation in this effort. During this reporting period, there were 1,910 subjects, \$4,281,951 in fraud loss, and \$29,830,840 in projected savings. We are reviewing all project results and opening criminal cases as information warrants. Additionally, we are working with the INS, U.S. Secret Service, and U.S. Postal Inspection Service to develop information that will both further investigations and facilitate administrative actions against individuals who are suspected of illegally collecting SSI payments.

### ***First Criminal Arrest to Result From the New York Residency Fraud Project***

In December 1998, a woman was arrested by Special Agents from SSA OIG and the U.S. Postal Inspection Service after an investigation disclosed that she withdrew \$19,276 from a joint savings account she held with her mother, an SSI recipient. The mother had returned to her homeland in the Dominican Republic in 1995 and died in 1996.

### ***Automated Teller Machine Scam Disclosed in New York Residency Project***

Under the Residency Fraud project, we identified an SSI recipient who had died in 1993. However, \$35,040 in SSI payments had been withdrawn from Automated Teller Machines (ATM) against the recipient's account. During the investigation, OIG agents obtained ATM photographs that led to the identification of two men who were fraudulently withdrawing the SSI payments. One of the men had been the roommate of the deceased SSI recipient. They were also part of a scheme to steal money from ATM patrons, usually the elderly, by rushing them away from the ATM before the transaction completely cleared. One of the men pled guilty to State charges involving grand larceny and is awaiting sentencing.

**Miami.** We identified 857 high-risk SSI cases for which the SSA area Director agreed to conduct eligibility redeterminations. We initiated unannounced visits to recipients who did not respond to a request for a redetermination and to recipients whose address could not be verified. We will continue to follow up on these recipients to develop information to facilitate administrative actions against suspect SSI beneficiaries and to pursue criminal case development, as warranted.

**Chicago.** In October 1998, we mailed letters to select recipients requesting proof of residence. In November 1998, based on the results of the first mailing, we sent a second letter to 598 non-responders and suspicious responders scheduling them for verification interviews. In December 1998, a team consisting of OIG Special Agents and SSA representatives, including RSO staff and bilingual District Office personnel, interviewed 316 of these 598 recipients. The remaining 282 recipients were "no shows." The results to date include the following:

- 14 recipients were suspended onsite after their ineligibility was confirmed;
- 53 additional overpayments were confirmed and are being processed; and
- 28 possible overpayments are being investigated/reviewed.

In January 1999, a notice of planned action with the intent to suspend benefits was mailed to each of the 282 "no shows." The RSO estimated SSA field offices will conclude the process during this fiscal year. The RSO will then forward the results to OI, and all unresolved cases will be administratively or judicially pursued.

**Dallas.** In February 1999, the Dallas Field Division conducted Phase III of Operation Riverwalk in Brownsville, Texas. Phase III involved special operations conducted on the southwest border at ports of entry to identify ineligible SSI recipients in South Texas who actually reside in Mexico but cross the border each month to pick up benefit checks. Phase I was held in Laredo, Texas, in September 1998 and Phase II was held in Eagle Pass in December 1998. To date, 67 cases have been opened as a result of this project; 47 of these involve SSI fraud.

- In January 1999, nine SSI cases were accepted for Federal prosecution. Investigation disclosed that all nine of the individuals were fraudulently receiving SSI payments, for periods varying from 1 month to several years, while residing in Mexico. The total fraud loss in these cases was \$128,653.
- OIG special agents arrested one individual, who had in his possession two Social Security cards bearing two different numbers and variations of his name.
- Nine individuals have been arrested in all 3 Phases conducted for possessing fraudulent Social Security cards. All of the subjects were turned over to INS.

*In addition to these projects, our field divisions investigate instances of fraud and abuse involving other residency violations. Two examples of the cases investigated by the OI field divisions are summarized below.*

#### ***Benefits Suspended After Referral From Fraud Hotline***

We received an allegation from the SSA Fraud Hotline that an SSI beneficiary had been living in Puerto Rico for 6 months. Further, it was alleged he had initiated the direct deposit of his monthly SSI payment to a credit union account in Rhode Island and that his sister forwarded the proceeds to him. We interviewed the property manager at the man's last known address and found that the man no longer resided there. The credit union confirmed the man had a joint account with his sister, and the SSI benefits were being direct deposited into that account. We determined the man was not living in the United States and therefore SSA suspended the man benefits. We identified \$31,700 in estimated savings.

#### ***Daughter-in-Law of SSI Beneficiary Converts Payments***

The SSA District Office in San Juan, Puerto Rico, alleged that an SSI beneficiary moved to Puerto Rico yet her daughter-in-law in Boston continued to receive and cash her SSI checks. We interviewed the daughter-in-law and found that, from March 1996 to March 1998, she had used her mother-in-law's Social Security and identification cards to cash her mother-in-law's SSI payment checks. As a result of our investigation, the daughter-in-law signed an agreement to repay SSA \$10,243 through monthly installments.

# Institutionalization/Eligibility

## *Institutionalization*

In most instances, the Social Security Act prohibits SSI payments to people who are confined or reside in a public institution for a full calendar month. Below are summaries of some typical cases the agents encounter.

- A father and daughter concealed from SSA the fact that the father was incarcerated. As a result, they illegally received \$38,542 in SSI payments for 7 years. Both pled guilty in a Federal district court. In November 1998, the father was sentenced to 1 year in prison followed by 3 years' supervised release. The daughter was sentenced to 10 months in prison followed by 3 years' supervised release and a \$4,000 fine. Both were ordered to make joint restitution totaling \$38,532.
- A woman, who was the representative payee for her son, failed to notify SSA that he had been incarcerated in June 1993. Instead, she continued to receive and cash his SSI checks for her personal use. In October 1998, the mother pled guilty in Federal district court. The mother was sentenced to 18 months in prison followed by 3 years of supervised release, and she was ordered to make restitution of \$25,334 to SSA.

## *Fugitive Felon Project*

Because of legislation passed in 1996, an individual is ineligible for SSI payments if the individual is a fugitive fleeing to avoid prosecution for a crime that is a felony, fleeing to avoid custody or confinement after conviction for a crime that is a felony, or violating a condition of probation or parole imposed under Federal or State law.

We are working with appropriate SSA components to develop plans and procedures to implement data exchanges with the National Crime Information Center data base as well as with the FBI, U.S. Marshals Service, and appropriate agencies within each of the 50 States. Although computer matching has not taken place, we are developing investigations under the Fugitive Felon Project, which is focused on SSI recipients who are fugitives from justice.

In this reporting period, we identified 1,523 fugitives receiving payments, were instrumental in apprehending 633 fugitives, identified \$6,732,129 in overpayments, and estimated \$12,242,288 in savings.



## **Payments Made to Deceased Individuals**

We frequently receive allegations that individuals are improperly receiving Social Security payments issued to deceased beneficiaries and recipients. Additionally, we have established a national investigative project aimed at identifying individuals who receive payments issued to deceased SSA beneficiaries and recipients.

One initiative we conducted involved an OIG suboffice, which contacted the City of Detroit to compare its death lists for 1989 through 1993 with the SSA list of persons currently receiving disability benefits. The match identified 11 disability beneficiaries who were on the death list but were continuing to receive disability benefits. Investigators located and interviewed the parties receiving the monthly checks or deposits and have confirmed fraud and overpayments in all of the cases. Five cases have already been accepted for prosecution; over \$680,000 in overpayments have been documented, and most of the funds are expected to be returned to SSA. We expect our other offices to use this methodology in the future.

*The following examples of convictions resulting from investigations by field divisions demonstrate the extent of fraud perpetrated by concealing the death of beneficiaries.*

### ***Man Sentenced for Fraudulently Obtaining \$97,000 in Social Security Benefits by Concealing the Death of His Father***

We conducted an investigation concerning an individual who refused to divulge the location of his 101-year-old father, who had been receiving Social Security retirement benefits since January 1961. There was strong suspicion that the father was deceased and that the son had concealed his father's death to continue receiving the father's Social Security benefits. The case was referred by the SSA Southeastern Program Center in Alabama.

During interviews with the son, Special Agents were unable to determine the father's whereabouts. There were no medical or Government records to show the father was buried or how he died. No death certificate was filed with the State Bureau of Vital Statistics; however, our investigation later determined that the father died in 1970.

The son pled guilty in Federal court to charges involving making false statements and Social Security fraud. In March 1999, the son was sentenced to 21 months in prison and ordered to make restitution to SSA totaling \$97,141 as well as pay a \$2,500 fine and a \$200 special assessment fee. Additionally, the judge ordered that the son's lease agreement with Bell South Corporation for a cell phone relay/transmitting tower on his land be consigned to SSA to ensure full restitution.

### ***Nephew Illegally Received Deceased Uncle's Benefits***

This case was generated after SSA received a death alert on an individual from the Veterans Administration. The man's nephew converted for his own use \$65,609 in disability benefits intended for his uncle, who died in 1986. Our investigation disclosed that the two lived together, and the nephew failed to notify SSA of the uncle's death and cashed the disability checks by forging his signature. The nephew was sentenced to 1 year incarceration and ordered to pay full restitution to SSA.

### ***Woman Charged With Using Deceased Acquaintance's Benefits***

A woman failed to notify SSA of an acquaintance's death, and, over a 10-year period, converted the acquaintance's retirement benefits for her own use. SSA discovered the acquaintance's death through a records match with Veterans Administration. The woman admitted the wrongdoing when contacted by our investigators and subsequently pled guilty to *Theft of Government Funds*. She was sentenced to 3 years' probation and ordered to pay a \$1,000 fine, a \$300 special assessment, and \$65,581 in restitution to SSA.

## **SSN Misuse**

The expanded use of the SSN as an identifier has given rise to the practice of counterfeiting SSN cards, obtaining SSN cards based on false information, and using SSNs belonging to another to obtain benefits and services from Federal programs, credit card companies, retailers, and other businesses.

Recently, Federal law enforcement agencies were given an additional weapon against SSN misuse. On October 30, 1998, the President signed Public Law 105-318, the *Identity Theft and Assumption Deterrence Act of 1998*. The Act makes it unlawful for a person to knowingly transfer or use, without lawful authority, a means of identification, including an SSN, of another person with the intent to commit an act that is a violation of any Federal law, or is a felony under State or local law. Passage of the Act will likely result in an increase in the number of referrals involving identity theft.

As a result of the expected increase in cases of SSN misuse, OI and the Office of Audit have initiated a joint project that will focus on screening SSN applications for potential fraud. To date, five cases have been referred to OIG field divisions for investigation. All 5 cases involved the use of counterfeit documents to obtain at least 150 SSNs.

*Most of our SSN misuse investigations involve program-related activities that affect SSA's business process or that have SSA trust fund implications. The following cases highlight both the program-related and other types of SSN investigations we conducted during this reporting period.*

## **Program Fraud Cases**

### ***Woman Misused SSNs to Obtain Over \$200,000 in SSI Payments***

OI, the State of Michigan Family Independent Agency OIG, and the Michigan State Police conducted a joint investigation of a woman who fraudulently collected SSI payments under several different names and SSNs. She also collected adoption subsidies for nonexistent children, submitted fraudulent provider billings, and fraudulently collected food stamps under multiple claims.

The woman was sentenced to 47 weekends of incarceration and 2 years' supervised probation for *Obtaining Money Under False Pretenses*. Her sentence included \$56,309 in restitution to SSA, \$105,073 in restitution to the State of Michigan, \$60 to the State of Michigan Crime Victim Fund, and all court costs.

### ***SSA Officials Notify OIG of Suspected Dual Identity Fraud***

SSA officials notified the OIG that an individual had collected disability benefits under his own name while working under an assumed name and SSN since 1991. The individual confessed when confronted by investigators. A Federal judge sentenced the man to 1 year in prison followed by 3 years' probation and ordered him to pay a special assessment of \$100 and \$73,398 in restitution to SSA.

### ***Beneficiary Used Deceased Brother's SSN to Defraud SSA***

The Office of Disability and International Operations referred a complaint after an SSA review determined that a man had received disability benefits for which he was not eligible from 1986 to 1995, when his benefits were ceased. We conducted an investigation, which determined that the man had been employed since at least 1987 and had concealed his earnings by working under his deceased brother's SSN. The man pled guilty and was sentenced to 5 years' probation and ordered to pay \$109,552 in restitution to SSA.

### ***Man Received SSI Payments Under an Assumed Identity***

A man had been receiving disability benefits since 1993. In 1994, the man obtained another identity under which he began receiving SSI payments. He continued to receive the fraudulent SSI payments until 1997. During that time, the man received \$19,855 in SSI payments. The case is being prosecuted by the U.S. Attorney.

## **Other SSN Misuse Cases**

### ***Man Incarcerated for Conspiring With an SSA Employee***

We conducted this investigation with a local police department, the U.S. Secret Service, and the FBI. We initiated this investigation after it was discovered that an SSA employee had, without authorization, obtained numerous SSA disability documents and accessed query information that contained SSNs. The employee sold the documents and information to a man who used the information to fraudulently purchase about \$425,000 in paging services, computer components, cellular telephones, an automobile, rental cars, and other goods and services in Maryland, Ohio, and California.

The man was charged with the unlawful use of unauthorized access devices and was sentenced to 27 months of incarceration, 3 years' supervised release, and ordered to pay \$264,781 in restitution. The SSA employee was charged with the unlawful disclosure of SSNs and was sentenced to 3 years' supervised probation.

### ***Woman Sentenced for Defrauding SSA and Various Financial Institutions***

We worked with the FBI to investigate a woman who was receiving SSI payments for herself and acting as a representative payee for three children and one grandchild. The investigation established that the woman defrauded SSA out of \$55,192, the Food Stamp program out of \$3,502, and various financial institutions out of \$52,919. The woman was charged with the following offenses in a 28-count felony indictment:

- purchasing 5 automobiles using false SSNs;

- misusing \$5,890 in disability benefits paid to her on behalf of a grandchild who she had stated was in her care, but who, in fact, had never been in her care;
- wrongfully receiving \$21,195 by failing to report the receipt of State child support for two of her children for whom she was also receiving full SSI benefits;
- wrongfully receiving \$25,425 by failing to report her own income and resources, which precluded SSI entitlement for herself;
- wrongfully receiving \$2,681 by periodically reporting that she did not receive SSI checks for her children and herself, while she actually cashed both the original and replacement checks; and
- submitting fraudulent Food Stamp applications.

On January 25, 1999, the woman was sentenced to 15 months' incarceration, ordered to pay \$500 in special assessments, and ordered to pay \$111,613 in restitution to SSA, the Food Stamp program, and several financial institutions.

### ***Three Individuals Convicted of Environmental and SSN Fraud***

We conducted this joint investigation with the Environmental Protection Agency. Three Wisconsin men pled guilty to conspiring to use homeless men to remove asbestos from an aging Wisconsin manufacturing plant that was being demolished. The men used false SSNs to obtain asbestos worker certifications from the Wisconsin Department of Health and Family Services for the homeless men. The three men were sentenced to 24, 30, and 33 months in prison, respectively. The original indictment contained 13 counts of *Misrepresenting Social Security Numbers*.

# Office of Audit

---

**T**he Office of Audit conducts comprehensive financial and performance audits of SSA's programs and operations and makes recommendations to ensure that program objectives are achieved effectively and efficiently. The Office of Audit also conducts management and program evaluations that identify and recommend ways of preventing program fraud and maximizing efficiency.

The Office of Audit is organized into issue area teams that specialize in one or more of SSA's programs or operations. During this reporting period, the Office of Audit issued 19 reports.

## Financial Audits

The *Chief Financial Officers Act of 1990* (Public Law 101-576), requires that Inspectors General or an independent external auditor, as determined by the Inspector General, audit SSA's financial statements in accordance with the General Accounting Office's *Government Auditing Standards*. In addition to financial statement audits, we conduct audits of State agencies that receive Federal funds for making the initial and continuing disability determinations for eligibility for the Disability Insurance and SSI programs.

## SSA's Financial Statement Audit

Federal agencies are required to comply with the Federal Managers' Financial Integrity Act of 1982, the Federal Financial Management Improvement Act of 1996, and pertinent Office of Management and Budget (OMB) Circulars and Bulletins. Under a contract monitored by OIG, PricewaterhouseCoopers, LLP, an independent certified public accounting firm, audited SSA's FY 1998 financial statements.

PricewaterhouseCoopers, LLP, issued an unqualified opinion stating that the principal financial statements were fairly stated in all material respects, and that management fairly stated that SSA's systems of accounting and internal controls were in compliance with OMB Bulletin 98-08, *Audit Requirements for Federal Financial Statements*. However, the audit identified the following three reportable conditions in SSA's internal controls.

- SSA can further strengthen controls to protect its information.
- SSA needs to accelerate efforts to improve and fully test its plan for maintaining continuity of operations.
- SSA can improve controls over separation of duties.

We believe SSA should report these deficiencies in its annual Federal Managers' Financial Integrity Act report as material internal control weaknesses. However, SSA disagrees with our position and has chosen not to do so.

## **SSA's Estimation of Excess Federal Insurance Contributions Act Taxes**

The objectives of our review were to determine the differences between the actuarial and final estimates of excess Federal Insurance Contributions Act (FICA) wages; assess the accuracy of SSA's estimates of excess FICA wages; and determine the related impact on the Social Security trust funds. The trust funds annually reimburse the general fund for refunds made to taxpayers and employers for overpaid and incorrectly paid FICA taxes. Using data from SSA's Office of the Actuary and Office of Research, Evaluation and Statistics, we determined the differences between SSA's actuarial and final estimates of excess FICA wages. The Department of the Treasury transfers money from the trust funds to the general fund based on SSA's certified excess FICA estimates. Neither SSA nor the Internal Revenue Service (IRS) reconciles actual IRS refunds to the excess FICA amounts transferred from the SSA trust funds to the general fund.

Because of the disparity between IRS and SSA estimates, we could not fully assess the accuracy of SSA's estimates and the related impact on SSA's trust funds. The Department of the Treasury may be transferring an incorrect amount from the trust funds to the general fund. We acknowledge that SSA relies on the explicit language of the Social Security Act, but we believe the Comptroller General's decision pertaining to the Act supports our position that SSA should use IRS data for establishing actual repayments of overpaid FICA taxes.

To prevent losses to either the trust fund or the general fund because of an inaccurate estimate, we believe the final certification should be based on the actual repayments of overpaid FICA taxes. SSA and the IRS should consider, when appropriate, using actual IRS refund data in making a final certification. We recommended that SSA establish a task force with the IRS to initiate a formal Memorandum of Understanding on the protocol for sharing excess FICA wage data and resolving/reconciling any differences between agencies.

SSA disagreed with our conclusion that the final certification be based on actual repayments of FICA taxes. SSA relies on the explicit language of the Social Security Act to use the Agency's records for estimating the amount of wages with excess FICA taxes. However, SSA will share our report with the IRS and follow up with the IRS to determine whether improvements of the type we have suggested, or any other improvements, are possible.

## **State DDS and Administrative Audits**

SSA implements the Disability Insurance and SSI programs under titles II and XVI of the Social Security Act, respectively. The Disability Insurance program was established in 1956 to provide benefits to wage earners and their families in the event the wage earner becomes disabled. The SSI program was established in 1972 to provide income to financially needy individuals who are aged, blind, or disabled. Disability determinations under these programs are performed by State DDSs in accordance with Federal statutes, regulations, and other written guidelines. The State agency assesses the claimants' disabilities and ensures that adequate evidence is available to support its determinations.

Each State agency is authorized to purchase medical examinations, x-rays, and laboratory tests on a consultative basis to supplement evidence obtained from claimants' physicians or other treating sources. SSA reimburses the State agency for all allowable expenditures up to its approved funding authorization. At the end of each quarter of the Federal fiscal year, each State agency submits to SSA a *State Agency Report of Obligations for SSA Disability Programs* to account for program disbursements and unliquidated obligations.

We conduct audits at these State agencies to determine whether costs claimed by State agencies are allowable and properly allocated, determine whether the total SSA funds drawn down agree with total expenditures for disability determinations, and evaluate internal controls over the accounting and reporting of the administrative costs claimed as well as the draw down of SSA funds.

*During this reporting period, we conducted three State audits. The results of two of these audits are discussed below.*

### ***Accounting for Social Security Benefits by Contra Costa County, California***

The County's Department of Social Services (DSS) acts as the representative payee and is responsible for providing services that support and protect families, individuals, and children in need.

The DSS provides a program for children through which children are placed with foster families or in group homes. Our review focused on the purposes for which the County used children's funds and how it accounted for those funds. The County reimburses the foster parents and group homes for the costs of the children's care and, in turn, is reimbursed for some of its costs through Federal and State programs. The County provides foster care services to 1,900 children, about 200 of whom received Social Security benefits.

For the 19 cases we reviewed, we found no evidence that the County used children's Social Security benefits for purposes other than the children's care. The DSS had complied with the requirement to submit the annual representative payee accounting reports. However, the County inaccurately calculated interest earned on the children's funds. In addition, the DSS did not obtain the required authorization from SSA before receiving retroactive reimbursement, as representative payee, for foster care costs. Finally, the DSS did not accurately account for individual children's Social Security benefit balances.

We recommended, and SSA and the DSS agreed to

- reimburse the children for any interest earned on their benefits;
- comply with the policy requirement for representative payees to obtain authorization from SSA before receiving retroactive reimbursement from the County for foster care costs;
- refund \$9,239 to the appropriate children's accounts;
- refund to SSA any benefits that were paid after a child's fund balance exceeded the \$2,000 SSI eligibility threshold; and
- ensure that children's accounts reflect the full amounts of benefits received and costs paid.

#### ***Audit of Administrative Costs at the California DDS***

We conducted this audit to determine the propriety of the administrative costs claimed by the California State DSS for its disability determination services for the 2-year period ended September 30, 1996. The DSS incorrectly allocated indirect costs, had ineffective estimation methods, and had inadequate controls for reimbursing medical costs.

The DSS overreported its total obligations to SSA by \$9.1 million for the period under audit. Of this amount, the DSS overstated its disbursements by about \$4 million for the period July 1994 through April 1998 and unliquidated obligations by about \$5.1 million for FYs 1995 and 1996. To date, the DSS has initiated a number of corrective actions to address the deficiencies noted during our audit.

## **SSI— A High-Risk Program**

The General Accounting Office declared the SSI program high-risk in February 1997. To assist in ensuring the integrity of the SSI program, Congress enacted the *Personal Responsibility and Work Opportunity Reconciliation Act of 1996* (commonly known as the Welfare Reform Act), which requires that SSA conduct CDRs in certain instances. The Welfare Reform Act also authorized appropriations for CDRs and redeterminations for FYs 1997 and 1998. SSA reports annually on its progress in conducting CDRs.

During this reporting period, we issued a *Management Advisory Report, Welfare Reform Childhood Redetermination Accuracy*. The objective of our review was to determine how SSA will investigate and correct accuracy problems for cessations and continuances of children redetermined by State DDS offices.

On December 17, 1997, SSA released a report, *Review of SSA's Implementation of New SSI Childhood Disability Legislation*, that outlined its findings on the implementation of new childhood disability provisions in the Welfare Reform Act. Under this Act, individuals under age 18 are considered disabled if they have a medically determinable physical or mental impairment that results in marked and severe functional limitations and if their impairment meets the statutory duration requirement.



SSA's report stated that, overall, SSA and the DDSs had done a good job implementing the provisions of Welfare Reform. However, because some inconsistencies in the application of the rules were found, there were problems with the accuracy of the assessment of childhood cases at the DDS offices. SSA further stated that steps would be taken to correct these problems. These steps included providing SSA and DDS staff with updated training, reworking many of the cases that were ceased under the new disability criteria, reviewing continuances on a priority basis, and revising certain disability criteria. After the SSA report was issued, SSA established a steering committee to implement these corrective actions.

We estimated that Federal and State SSI funds at risk could be reduced by between \$9.5 and \$15.3 million over 1 year if SSA were to identify and correct inaccurately continued SSI childhood cases. By correcting problems with cessation and continuance cases, SSA can offset most of the Federal and State costs incurred by the process while ensuring that all children who should continue receiving SSI benefits do so and those whose benefits should be ceased are stopped.

We recommended that SSA identify questionable continuation cases and update their profiles to expedite the next scheduled CDR. However, SSA took exception to our statistical calculations. As a result, we provided our most conservative estimates of funds at risk.

## **Internal Controls and Procedures**

We also conduct audits and evaluations that identify weaknesses in existing controls and procedures that are vulnerable to fraud, waste, and abuse. Internal controls relate to a number of functions within SSA. In this reporting period, we conducted reviews that focused on established procedures, the circumvention of procedures, and physical controls related to security.

## **OHA's Response to Fraud at the New Orleans Hearing Office**

We reviewed the methodology used by two former New Orleans Hearing Office clerks to process fraudulent decision letters, and we determined the adequacy of management's response to this fraud.

**Because of the sensitive nature of this audit, we cannot describe these findings in detail.** However, we have summarized our findings below. **The report is not available for distribution.**

We found that OHA did not respond to the fraud timely or sufficiently. Even though a claimant made an allegation of fraud, the allegation was not referred to the RSO or the OIG. We also determined that OHA did not act in a timely manner to determine if the claimants associated with the identified cases of fraud were actually entitled to the benefits.

We recommended that OHA direct the New Orleans Hearing Office to develop compensating controls to improve its process for tracking cases and corresponding claim files, minimize the impact of employees' extensive access to case development, and ensure that cases are effectuated properly. We also recommended that OHA develop procedures to ensure that cases linked to suspected fraud are reopened and resolved in a timely manner.

A workgroup composed of OHA's Office of Management, Office of the Chief Administrative Law Judge, and Special Counsel staff developed short- and long-term solutions to resolve the reported deficiencies. We reviewed the workgroup's solutions and concluded that, if properly implemented, they would establish the internal controls intended by our recommendations.

## **Physical Security at SSA**

The objective of this audit was to determine whether SSA implemented the Counter Technology Incorporated (CTI) recommendations to ensure adequate physical security controls at all SSA field offices. In 1995, SSA contracted with CTI to perform a physical security review and evaluation of SSA's nation-wide facilities to determine whether adequate controls were in place. This review was an important part of SSA's compliance with Executive Order 12977, which directed each Federal facility to implement security standards recommended by the Department of Justice.

CTI surveyed over 1,000 SSA field offices. The CTI review did not cover executive protection, computer system security, SSA Headquarters complex, the National Computer Center, or Headquarters Office of Protective Security Services operations. CTI's reports were released to SSA Headquarters in October 1996 and included 15,867 recommendations to improve physical

security in SSA field offices. The recommendations included adding duress alarms, peepholes, locks, intrusion detection systems, lighting, power back up, physical barriers, and physical modifications. In April 1997, SSA provided \$8.5 million in funding to field offices and issued instructions to implement CTI's recommendations. We judgmentally selected those sites with the largest number of CTI recommendations in SSA's 10 Regions. From November 1997 through April 1998, we visited 39 offices including 8 OHAs, 22 field offices, 4 regional/program service centers, and 5 teleservice centers. We toured the facilities, interviewed the staff, and analyzed CTI's security reports and recommendations. We also determined which recommendations SSA had implemented.

Of the 568 CTI recommendations reviewed, 269 were implemented; 113 were not implemented; 124 were inappropriate; and 62 were pending. We found that CTI's processes were not sufficient to verify implementation of the recommendations, allow an opportunity to discuss the validity of the recommendations with CTI, or provide an opportunity to discuss improvements identified by the office managers that may have optimized security.

We recommended that SSA

- verify implementation of all CTI recommendations on a timely basis,
- ensure that all unimplemented CTI recommendations that should be implemented are addressed,
- determine the appropriateness of additional security measures identified by office managers and ensure implementation of those determined to be appropriate, and
- require appropriate exit conferences with contractors in connection with future security reviews.

SSA agreed with our recommendations and is taking action to implement them. SSA has retained the services of a professional security contractor to conduct follow-up reviews of 75 offices previously surveyed by CTI, and CTI's security specialists recently completed a review of 25 more offices. The purpose of these follow-up visits is to verify implementation of CTI's recommendations.

## Single Audits

The Single Audit Act of 1984 established requirements for audits of States, local governments, and Native American tribal governments that administer Federal financial assistance programs. To implement the Social Security Act, OMB issued Circular A-128, *Audits of State and Local Governments*, which requires that State and local governments that receive over \$100,000 per year in Federal financial assistance have an annual financial and compliance audit.

On July 5, 1996, the President signed the Single Audit Act Amendments of 1996 (the Amendments). The Amendments extended the statutory audit requirement to nonprofit organizations and revised various provisions of the 1984 Act including raising the Federal financial assistance to \$300,000. On June 30, 1997, OMB issued revised Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, to implement the Amendments and rescinded Circular A-128.

In accordance with Federal regulations, State DDSs perform disability determinations under the Disability Insurance and SSI programs. The DDS determines claimants' disabilities and ensures adequate evidence to support its determinations. SSA reimburses the DDS for 100 percent of allowable expenditures. There are 54 DDSs located in the 50 States, the District of Columbia, Puerto Rico, Guam, and the Virgin Islands. The DDSs are subject to the Single Audit Act, except the federally administered Virgin Islands DDS. The single audits are conducted by State auditors and public accounting firms.

We review the quality of these audits, assess the adequacy of the entity's management of Federal funds, and report those findings to SSA's Management Analysis and Audit Program Support Staff for audit resolution. Our oversight of this audit activity not only provides managers with assurances about the management of DDS programs, but also identifies any significant areas of internal control weakness, noncompliance and questioned costs that require formal resolution by Federal officials. During this reporting period, we reported the following audit results to SSA.

**Arizona.** The Arizona Auditor General performed this audit to review SSA's portion of Arizona's State FY 1996 expenditures. In testing Federal fund draw downs, the Auditor General found that the State did not calculate and document interest liabilities in accordance with the Cash Management Improvement Act agreement. As a result, the Arizona Auditor General could not determine if the State's interest calculations were complete and accurate.

**District of Columbia.** For the fiscal year ended September 30, 1996, the District of Columbia DDS reported \$7,982,564 in expenditures. The auditors reported that the DDS did not promptly submit Time Reports of Personal Services, did not cumulatively report medical evidence of record data, and could not provide documentation to support \$2,350 in expenditures. In addition, the hours reported by the DDS on the Time Reports of Personal Services did not agree with official State time and attendance records.

**California.** For the fiscal year ended June 30, 1997, the State of California DDS reported expenditures of \$151,459,541 in making SSA disability determinations. The audit found that the State did not always comply with the Federal regulations or the default procedures required by the Government when implementing the Cash Management Improvement Act. As a result, the State's interest liability reported to the Government was understated by \$388,500, of which \$89,867 in questioned costs was SSA's portion.

**Colorado.** For the fiscal year ended June 30, 1997, the Colorado DDS reported expenditures of \$13,973,538 in making SSA disability determinations. The audit disclosed that the Colorado DDS' parent agency, the Department of Human Services, should develop and implement a more comprehensive fiscal management system for its Federal programs. The audit also disclosed that the DDS should review its procedures for purchasing consultative examinations including using competitive bidding, reviewing its fee schedule, standardizing procedures for rate adjustments, and ensuring compliance with Federal and State regulations.

**Kentucky.** For the fiscal year ended June 30, 1996, the Kentucky DDS reported \$24,126,955 in expenditures. The auditors found that the DDS needed to assess the status of its computer system applications to Year 2000, develop a formal computer security policy, and formalize security authorization procedures.

**Pennsylvania.** For the fiscal year ended June 30, 1997, the Pennsylvania DDS reported \$54,079,000 in expenditures. The audit disclosed that the Pennsylvania DDS did not adhere to State contracting and procurement consultative examinations and needed to strengthen general controls over its computer system. The audit also disclosed that Federal funds drawn down by the Commonwealth for employee payroll tax and benefits were held for extended periods of time, which resulted in a material noncompliance with cash management standards and an undetermined amount of interest liability due to the Government.

## Performance Monitoring

We have developed a 3-year work plan to review SSA's implementation of GPRA. In implementing this plan, every issue team in our Office of Audit will conduct GPRA-related reviews. One issue team dedicated to GPRA reviews will coordinate the work. All of the teams will determine the reliability of SSA's performance data and ensure that SSA's implementation of GPRA is in accordance with GPRA requirements. We will also acquire contracted services to assist in this effort.

SSA's Annual Customer Satisfaction Survey has served as SSA's gauge of how well it serves the public since 1984. The enactment of GPRA, in August 1993, highlighted the importance of the data collected by the Customer Satisfaction Survey. Three of SSA's GPRA performance goals relate directly to data collected through the Customer Satisfaction Survey—overall customer satisfaction, staff courtesy, and clarity of SSA mail.

During this reporting period, we completed a *Performance Measure Review: Evaluation of the Thirteenth Annual Social Security Customer Satisfaction Survey Data*. We conducted this evaluation to determine whether SSA's performance measurement data for its overall customer satisfaction, staff courtesy, and clarity of mail were accurate and appropriately measured performance in these areas.

SSA's methodology was effective, and it accurately monitored performance for the three performance measures selected; however, the Customer Satisfaction Survey did not reach all of SSA's customers. Also, the proportion of disabled customers in the FY 1997 sample was less than in previous years, which may affect the satisfaction rating.

SSA stated its belief that customer satisfaction can best be monitored by a series of surveys throughout the year, not by a single annual survey. Consequently, the FY 1999 annual survey, for which no sampling changes were planned, will be the last annual survey conducted.

Beginning in FY 2000, SSA plans to conduct surveys throughout the year using the Integrated Market Measurement System (IMMS) to monitor Agency performance in satisfying customers. Through IMMS, SSA will conduct surveys during the year using a random sample of customers who visit SSA's field offices and who conduct business via the Internet.

SSA believes IMMS can fully address our concerns about identifying and addressing the populations not reached by the current customer satisfaction surveys. The IMMS methodology, which involves sampling throughout the year, will help ensure that disabled customers and other subgroups included in the samples will represent the universe of SSA's customers. SSA will continue to analyze the impact of subgroups on satisfaction rates. It expects the resultant data will provide more comprehensive and reliable indicators of customer satisfaction.

SSA plans to continue conducting 800-number customer surveys twice a year and is developing a similar survey for those customers who call SSA's field offices. Thus, its survey will cover all types of customers including those not included in past Customer Satisfaction Surveys.

## Systems

One of the challenges facing SSA is to give the public the service it expects during a period of increasing demands without a corresponding increase in staff. Demographic changes in the Nation's population over the next several years will cause substantial increases in SSA's operational workloads. To meet this challenge, SSA must increase reliance on automated systems. The sensitivity of the data maintained and the magnitude of funds expended make controls in automated systems critical to the integrity of SSA programs and client satisfaction. To assist SSA in ensuring the integrity of the controls over application software development and maintenance at SSA, we conducted the following reviews.

### Software Development and Maintenance Controls SSA

In 1985, SSA established the Software Engineering Technology manual to define the processes by which all systems are developed and maintained and document the standards, procedures, guidelines, and automated tools that are to be used in software development and maintenance.

The Privacy Act of 1974 requires that each agency that maintains a system of records have administrative, technical, and physical safeguards to ensure that records are kept secure and confidential and to protect the records from any security or integrity hazard. We concluded that discipline and consistency in SSA's systems development and maintenance process has deteriorated. This deterioration has occurred because Software Engineering Technology is difficult to use, especially in today's dynamic systems environment. Software Engineering Technology does not clearly differentiate between mandatory standards and discretionary guidelines, and SSA is focused

on piloting future methodologies instead of enforcing current standards. SSA needs to establish an organizational commitment to restoring consistency and discipline in its present process while it plans for the future.

We recommended that SSA

- enforce the requirements for authorizations and documentation at key points in the Systems Development Life Cycle,
- establish procedures in the Software Engineering Technology for maintaining critical documents in a central repository,
- enforce the requirement that high-priority problems discovered during validation be resolved before the software is released to production, and
- reinstate the quality assurance reviews prescribed in the Software Engineering Technology.

SSA agreed with our recommendations.

## **Access Controls Over the Modernized Interim Disability Adjudication System in the State of California**

We conducted this audit to determine the adequacy of access controls over the Modernized Interim Disability Adjudication System (MIDAS) at the California DSS. MIDAS is the computer system that is used to process disability claims under the disability and SSI programs in California. Internal controls are established through the use of different user classifications and group profiles, which are assigned to individuals to restrict their access to specific operations within MIDAS. For example, some individuals are limited to ordering medical services while others are limited to authorizing transactions for payment. Thus, user classifications and group profiles are used as a means of maintaining separation of duties within MIDAS.

The DSS needs to improve access controls over MIDAS. As of April 1998, we identified individuals who had unlimited access to MIDAS. These individuals had user classifications and group profiles that provided access to all functions within the computer system, including adjudicating claims, ordering medical services, and authorizing payments. The individuals served as computer support staff in the 12 DSS branch offices located throughout California and as programmers in the Information Systems Division in Sacramento, California. All of the individuals shared the same user classifications and group profiles and therefore could enter data into MIDAS data bases; edit and delete files; and modify user classifications, group profiles, and related security files.

We recommended that SSA require that the DSS reassess the need for these individuals to have unlimited access to the system and establish procedures to ensure that the transactions made by these individuals are identified, monitored, and reviewed on a recurring basis. In its written comments to our draft report, SSA found the report to be valid and reasonable, and believed the State of California should implement the presented recommendations. **This report is classified confidential and is not available for distribution.**

# Resolving Office of the Inspector General Recommendations

## Reports With Questioned Costs

### For the Reporting Period October 1, 1998 Through March 31, 1999

The following charts summarize SSA's responses to the OIG's recommendations for the recovery or redirection of questioned and unsupported costs. Questioned costs are those costs that are challenged because of a violation of law, regulation, etc. Unsupported costs are those costs that are questioned because they are not justified by adequate documentation. This information is provided in accordance with the Supplemental Appropriations and Rescission Act of 1980 (Public Law 96-304) and the IG Act of 1978, as amended.

	Number	Value Questioned	Value Unsupported
A. For which no management decision had been made by the commencement of the reporting period.	2 <sup>1</sup>	\$390,187	\$0
B. Which were issued during the reporting period.	3 <sup>2</sup>	\$4,080,235	\$867,490
<b>Subtotal (A+B)</b>	<b>5</b>	<b>\$4,470,422</b>	<b>\$867,490</b>
Less:			
C. For which a management decision was made during the reporting period:	2 <sup>3</sup>	\$9,289	\$0
i. dollar value of disallowed costs.	2	\$9,289	\$0
ii. dollar value of costs not disallowed.	0	\$0	\$0
D. For which no management decision had been made by the end of the reporting period.	3 <sup>4</sup>	\$4,461,133	\$867,490

<sup>1</sup> Single Audit of the Commonwealth of Massachusetts FY 1996—DDS Portion (Report Number A-07-98-52011, July 21, 1998), Audit of the Administrative Costs Claimed by the New Jersey Department of Labor for its Division of Disability Determinations (Report Number A-02-95-00002, June 20, 1997).

<sup>2</sup> See Reports Issued With Questioned Dollars on page 34 of this Report.

<sup>3</sup> Single Audit of the Commonwealth of Massachusetts FY 1996—DDS Portion (Report Number A-07-98-52011, July 21, 1998), Accounting for Social Security Benefits by Contra Costa County, California (Report Number A-09-98-52009, November 2, 1998).

<sup>4</sup> Audit of the Administrative Costs Claimed by the New Jersey Department of Labor for its Division of Disability Determinations (Report Number A-02-95-00002, June 20, 1997), Audit of Administrative Costs at the California Disability Determination Services (Report Number A-09-97-51006, December 4, 1998), Single Audit of the State of California for the Fiscal Year Ended June 30, 1997 (Report Number A-77-99-00003, December 29, 1998).



## Reports With Recommendations That Funds Be Put to Better Use

### For the Reporting Period October 1, 1998 Through March 31, 1999

The following chart summarizes SSA's responses to our recommendations that funds be put to better use through cost avoidances, budget savings, etc.

	Number	Dollar Value
A. For which no management decision had been made by the commencement of the reporting period.	0	\$0
B. Which were issued during the reporting period.	1 <sup>1</sup>	\$134,469,523 <sup>2</sup>
<b>Subtotal (A + B)</b>	<b>1</b>	<b>\$134,469,523</b>
C. For which a management decision was made during the reporting period.		
i. dollar value of recommendations that were agreed to by management.		
(a) based on proposed management action.	1 <sup>3</sup>	\$125,000,000
(b) based on proposed legislative action.	0	\$0
<b>Subtotal (a+b)</b>	<b>1</b>	<b>\$125,000,000</b>
ii. dollar value of costs that were not agreed to by management.	0	\$0
<b>Subtotal (i+ii)</b>	<b>1</b>	<b>\$125,000,000</b>
D. For which no management decision had been made by the end of the reporting period.	1 <sup>4</sup>	\$9,469,523

<sup>1</sup> See List of Reports Issued on page 33 of this Report.

<sup>2</sup> This dollar amount has been modified because of developments that occurred after the issuance of our reports entitled, *Effectiveness of Obtaining Records to Identify Prisoners* (Report Number A-01-94-02004, May 10, 1996) and *Effectiveness of the Social Security Administration's Procedures to Process Prisoner Information, Suspend Payments and Collect Overpayments* (Report Number A-01-96-61083, June 24, 1997). SSA's Chief Actuary estimated a cost avoidance of about \$3.4 billion over 7 years with \$125 million to be realized semiannually from 1995 to 2001.

<sup>3</sup> See Footnote Number 2.

<sup>4</sup> *MAR—Welfare Reform Childhood Redetermination Accuracy* (Report Number A-01-98-62012, March 3, 1999).

# Reports Issued From October 1, 1998 Through March 31, 1999

---

## Reports With Non-Monetary Findings

Date Issued	Title	Report Number
November 20, 1998	Fiscal Year 1998 SSA Financial Statement Audit	A-13-98-51036
November 24, 1998	Costs Claimed by the State of Michigan on the Social Security Administration's Contract Number 600-95-22670	A-13-97-51026
November 30, 1998	Software Development and Maintenance Controls at the Social Security Administration	A-13-96-11000
December 4, 1998	Single Audit of the State of Colorado	A-77-99-00001
December 14, 1998	Single Audit of the Commonwealth of Pennsylvania	A-77-99-00002
December 17, 1998	Non-Council 220 Union Representative and Manager Observations on the Use and Management of Official Time at SSA	A-02-98-02002
January 5, 1999	Performance Measure Review: Evaluation of the Thirteenth Annual Social Security Customer Satisfaction Survey Data	A-02-97-01004
January 6, 1999	Physical Security at the Social Security Administration (Confidential Report)	A-13-97-01028
January 14, 1999	Access Controls Over the Modernized Interim Disability Adjudication System in the State of California (Confidential Report)	A-09-98-51010
January 20, 1999	Single Audit of the Commonwealth of Kentucky	A-77-99-00004
March 2, 1999	Office of Hearings and Appeals' Response to Fraud at the New Orleans Hearing Office (Confidential Report)	A-06-97-71006
March 19, 1999	Single Audit of the District of Columbia	A-77-99-00005
March 22, 1999	Single Audit of the State of Arizona	A-77-99-00007
March 25, 1999	The Social Security Administration's Estimation of Excess Federal Insurance Contribution Act Taxes	A-13-97-51015
March 25, 1999	Costs Claimed by the Commonwealth of Virginia on the Social Security Administration's Contract Number 600-92-0114	A-13-98-81004

## Reports With Questioned Dollars

<b>Date Issued</b>	<b>Title</b>	<b>Report Number</b>	<b>Dollar Amount</b>
November 2, 1998	Accounting for Social Security Benefits by Contra Costa County, California	A-09-98-52009	\$9,239
December 4, 1998	Audit of Administrative Costs at the California Disability Determination Services	A-09-97-51006	\$4,848,619
December 29, 1998	Single Audit of the State of California	A-77-99-00003	\$89,867
		<b>Total</b>	<b>\$4,947,725</b>

## Report With Funds Put to Better Use

<b>Date Issued</b>	<b>Title</b>	<b>Report Number</b>	<b>Dollar Amount</b>
March 3, 1999	Management Advisory Report—Welfare Reform Childhood Redetermination Accuracy	A-01-98-62012	\$9,469,523
		<b>Total</b>	<b>\$9,469,523</b>

# APPENDIXES

---

# Appendix A

---

## Government Performance and Results Act

### Review Plan

We have developed a 3-year work plan to review SSA's implementation of the Government Performance and Results Act (GPRA). The plan is based on SSA's FY 2000 Annual Performance Plan. As part of its Performance Plan, SSA has established the following broad strategic goals, which encompass its program activities.

*Goal: To promote valued, strong and responsive Social Security programs and conduct effective policy development, research and program evaluation*

*Goal: To deliver customer-responsive world-class service*

*Goal: To make SSA program management the best-in-business, with zero tolerance for fraud and abuse*

*Goal: To be an employer that values and invests in each employee*

*Goal: To strengthen public understanding of the Social Security programs*

Each of these strategic goals has supporting strategic objectives and corresponding performance indicators and goals.

Below is our plan for reviewing SSA's GPRA implementation and performance measures. As performance measures and goals change in future Annual Performance Plans, we will adjust our work plan accordingly.

### FY 1999—PLANNED REVIEWS

In FY 1999, we plan to conduct performance measure reviews to

- survey SSA's Performance Measure Data
- review SSA's FY 2000 Annual Performance Plan,

We also plan to conduct reviews that will determine the reliability of the data used to measure the following SSA performance indicators and goals.

## Strategic Goal: To deliver customer-responsive world-class service

### Output Measures for Major Budgeted Workloads

RSI claims processed:	3,134,800
SSI aged claims processed:	144,200
Hearings processed:	622,400
Hearings pending:	209,000
SSN requests processed:	16,300,000
Performance Indicator	FY 2000 Goal
Percent of SSA's core business customers rating SSA's overall service as excellent, very good or good	88
Percent of SSA's core business customers rating SSA's overall service as excellent	37
Percent of SSA's core business customers rating the clarity of SSA's notices as excellent, very good, or good	82
Hearings average processing time	268 days
Percent of OASI claims processed by the time the first regular payment is due or within 14 days from effective filing date, if later	83
Percent of initial SSI aged claims processed within 14 days of filing date	66

## Strategic Goal: To make SSA program management the best in business, with zero tolerance for fraud and abuse

### Output Measures for Major Budgeted Workloads

Annual earnings postings:	258,900,000
Representative payee actions:	6,990,600
Performance Indicator	FY 2000 Goal
Dollar accuracy of OASI payment outlays: Percent without overpayments	99.8
Percent without underpayments	99.8
Percent of earnings posted to individuals' records by September 30	98
Old-Age and Survivors Disability Insurance (OASDI) debt collected	\$1,263.2 million
SSI debt collected	\$617.3 million

## Strategic Goal: To strengthen public understanding of the Social Security Programs

Performance Indicator	FY 2000 Goal
Percent of individuals issued SSA-Initiated PEBES as required by law	100

## FY 2000— PLANNED REVIEWS

In FY 2000, we plan to conduct performance measure reviews of

- SSA's FY 1999 Annual Performance Report and
- SSA's FY 2001 Annual Performance Plan

We also plan to conduct reviews that will determine the reliability of the data used to measure the following SSA performance indicators and goals.

<b>Strategic Goal: To promote valued, strong, and responsive Social Security programs and conduct effective policy development, research, and program evaluation</b>	
<b>Performance Indicator</b>	<b>FY 2000 Goal</b>
<p>Identification, development, and utilization of appropriate barometer measures for assessing the effectiveness of SSI program</p> <p>Expansions and acquisition of data on the characteristics of SSI populations in order to improve capacity to provide analyses, identify areas for policy change, and develop options as appropriate</p> <p>Preparation of a report and completion of data collection of the SSI Childhood Disability Survey in order to assess the impact of welfare reform, identify areas of potential policy change, and develop options as appropriate</p> <p>Preparation of analysis on sources of support for the SSI population in order to identify areas for better coordination with other social benefits and develop options as appropriate</p>	<p>Identify and define barometer measures to be used</p> <p>Link survey data with programmatic data</p> <ul style="list-style-type: none"> <li>• Prepare final report on the effects of 1996 welfare reform legislation on SSI children with disabilities</li> <li>• Begin implementation of a national survey of children with disabilities</li> </ul> <p>Prepare the analysis</p>
<p>Preparation of a research design to develop techniques for validating medical listings</p> <p>Preparation of reports on results of the Disability Evaluation Study in order to identify potentially eligible disabled populations, interventions that enable continued work effort among the disabled, and guide changes to the disability decision process</p> <p>Establish a Disability Research Institute</p>	<p>Award a contract to design a methodology to validate a single listing</p> <p>Complete pilot study</p> <p>Award contract to establish the Disability Research Institute</p>
<p>Percent of customers assigning a high rating to the quality of SSA's research and analysis products in terms of accuracy, reliability, comprehensiveness, and responsiveness</p> <p>Issuance of periodically updated research and policy agenda</p>	<p>Develop customer survey and data collection mechanism</p> <p>Issue the initial research and policy agenda</p>

<b>Strategic Goal: To deliver customer-responsive world-class service</b>	
<b>Output Measures for Major Budgeted Workloads</b>	
Initial disability claims processed: 2,144,000 Disability claims pending: 408,000	
<b>Performance Indicator</b>	<b>FY 2000 Goal</b>
Percent of public with an appointment waiting 10 minutes or less	85
Percent of public without an appointment waiting 30 minutes or less	70
New or expanded service available electronically	<ul style="list-style-type: none"> <li>• Provide overnight electronic Social Security number verification for employers</li> <li>• Give employers the option to transmit wage reports to SSA electronically using a personal computer or high-speed data transmission lines</li> <li>• Establish capacity to receive secure, online public inquiries about claims and benefits</li> <li>• Establish the capacity for attorneys to check hearing schedules over the Internet</li> </ul>
Number of customers accessing Social Security Online	7 million
Initial disability claims average processing time	100 days

<b>Strategic Goal: To make SSA program management the best in business, with zero tolerance for fraud and abuse</b>	
<b>Output Measures for Major Budgeted Workloads</b>	
CDRs processed: 1,882,700 SSI non-disability redeterminations: 2,238,550	
DDS decisional accuracy rate	97
OHA decisional accuracy rate	87
Percent of Social Security numbers issued accurately	99.8
Percent of earnings items posted correctly	99

<b>Strategic Goal: To be an employer that values and invests in each employee</b>	
<b>Performance Indicator</b>	<b>FY 2000 Goal</b>
Percent of employees reporting they are satisfied with the level of security in their facility	75



## FY 2001— PLANNED REVIEWS

In FY 2001, we plan to conduct performance measure reviews of

- SSA's FY 2000 Annual Performance Report and
- SSA's FY 2002 Annual Performance Plan

We also plan to conduct reviews that will determine the reliability of the data used to measure the following SSA performance indicators and goals.

<b>Strategic Goal: To promote valued, strong, and responsive Social Security programs and conduct effective policy development, research, and program evaluation</b>	
<b>Performance Indicator</b>	<b>FY 2000 Goal</b>
<p>Identification, development, and utilization of appropriate barometer measures for assessing the effectiveness of OASDI programs</p> <p>Preparation of analyses and reports on the effect of OASDI programs on different populations to identify areas for policy change and develop options as appropriate</p> <p>Preparation of analyses and reports on demographic, economic, and international trends and their effects of OASDI programs in order to anticipate the need for policy change and develop options as appropriate</p> <p>Preparation of research and policy evaluation necessary to assist the Administration and Congress in developing proposals to strengthen and enhance the solvency of OASDI programs</p>	<p>Identify and define barometer measures to be used</p> <p>Prepare analyses and reports in the following topics:</p> <ul style="list-style-type: none"> <li>• The effect of OASDI programs on women</li> <li>• The effect of OASDI programs on minorities</li> <li>• The effect of OASDI programs on low-wage workers</li> <li>• Study on characteristics of people receiving DI benefits, and</li> <li>• Analysis on the effect of changes in Social Security retirement benefits on the DI program</li> </ul> <p>Prepare analyses in the following topics:</p> <ul style="list-style-type: none"> <li>• Trends in marriage, divorce, and re-marriage on Social Security programs</li> <li>• Immigration and Social Security</li> <li>• Lifetime redistributional effects of Social Security cohorts, and</li> <li>• International retirement policy reforms</li> </ul> <p>Prepare analyses on the distributional and fiscal effects of solvency proposals developed by the Administration, Congress, and other policymakers</p>
Percent increase in the number of DI adult worker beneficiaries who begin a trial work period	10
Percent increase in the number of SSI disabled beneficiaries, aged 18-64, who are working	10

<b>Strategic Goal: To deliver customer-responsive world-class service</b>	
<i>Output Measures for Major Budgeted Workloads</i>	
800-number calls handled: 60,000,000	
<b>Performance Indicator</b>	<b>FY 2000 Goal</b>
Percent of employers rating SSA's overall service as excellent, very good or good	93
Percent of employers rating SSA's overall service as excellent	13
Percent of callers who successfully access the 800-number within 5 minutes of their first call	95
Percent of callers who get through to the 800-number on their first attempt	90
Percent of 800 number calls handled accurately:	
Service Accuracy	90
Payment Accuracy	95
New or expanded service available over the phone	Take retirement or survivors claims immediately over the telephone, or in person, as long as the applicant has all the information needed
Percent increase in the number of automated SSA-initiated PEBES inquiries processed on Internet	50

**Strategic Goal: To make SSA program management the best in business, with zero tolerance for fraud and abuse**

<b>Performance Indicator</b>	<b>FY 2000 Goal</b>
Percent of multi-year (FY 1996-2002) CDR plan completed	63
Number of investigations conducted	7,200
OASDI dollar amounts reported from investigative activities	\$9 million
SSI dollar amounts reported from investigative activities	\$55 million
Number of criminal convictions	1,800

**Strategic Goal: To be an employer that values and invests in each employee**

<b>Performance Indicator</b>	<b>FY 2000 Goal</b>
Percent of offices with access to Interactive Video Training/Interactive Distance Learning (IVT/IDL)	100
Formal management development programs implemented	<ul style="list-style-type: none"> <li>• SES completed</li> <li>• Continue ALP</li> <li>• Continue LP</li> </ul>
Percent of managerial staff participating in management/leadership development experiences	33 1/3
Percent of environmental air quality surveys completed and percent of the corrective actions taken when called for	<ul style="list-style-type: none"> <li>• 20 percent facilities surveyed</li> <li>• 75 percent corrective actions taken</li> </ul>
Number of facilities having water quality testing and percent of corrective actions taken when called for	<ul style="list-style-type: none"> <li>• 600 facilities tested</li> <li>• 100 percent corrective actions taken</li> </ul>
Number of relocated offices having security surveys and percent of accepted security recommendations implemented	<ul style="list-style-type: none"> <li>• 150 offices surveyed</li> <li>• 85 percent accepted recommendations implemented</li> </ul>
Create Agency change strategy	Develop and implement strategy
Complete Agency plan for transitioning to the workforce of the future	<ul style="list-style-type: none"> <li>• Implement competency-based models for recruitment and training needs assessment</li> <li>• Complete employee survey</li> <li>• Publish transition plan</li> </ul>

<b>Strategic Goal: To strengthen public understanding of the Social Security Programs</b>	
<b>Performance Indicator</b>	<b>FY 2000 Goal</b>
Percent of public who are knowledgeable about Social Security programs	To be set once baseline established in FY 1999

**The Complete text of SSA's Strategic Plan can be found on the Internet at [www.ssa.gov](http://www.ssa.gov)**

# Appendix B

## Reporting Requirements Under the Omnibus Consolidated Appropriations Act for FY 1997

To meet the requirements of the Omnibus Consolidated Appropriations Act for 1997 (Public Law 104-208), we are providing in this report, requisite data for FY 1999 from the Offices of Investigations and Audit.

We are reporting \$18,537,620 in SSA funds and \$4,607,785 in non-SSA funds as a result of our OI activities in this reporting period. These funds are broken down as follows.

Types of Funds	Quarter 1		Quarter 2		Total	
	SSA	Non-SSA	SSA	Non-SSA	SSA	Non-SSA
Court-Ordered Restitution	\$3,219,133	\$1,891,656	\$2,619,704	\$1,825,773	\$5,838,837	\$3,717,429
Scheduled Recoveries	4,068,629	313,457	8,227,279	23,257	12,295,908	336,714
Fines	41,414	355,119	7,450	98,523	48,864	453,642
Settlements/Judgments	239,011	100,000	115,000	0	354,011	100,000
<b>Totals</b>	<b>\$7,568,187</b>	<b>\$2,660,232</b>	<b>\$10,969,433</b>	<b>\$1,947,553</b>	<b>\$18,537,620</b>	<b>\$4,607,785</b>

*SSA management has informed the Office of Audit that it has completed implementing recommendations from two audit reports during this semiannual period valued at \$13.4 million.*

### ***Special Joint Vulnerability Review of the Supplemental Security Income Program, Report Number A-04-95-06020, December 16, 1997***

We recommended that SSA identify SSI recipients in the remainder of the 500 members of the extended Georgia family and conduct CDRs and evaluate the results, individually and collectively, to determine if there is any pattern or potential patterns of fraud that may warrant referral to OIG's Office of Investigations. SSA implemented this recommendation in December 1998. The implemented recommendation is valued at \$2.1 million.

### ***Potential for Contracting With Medical Provider Networks to Purchase Consultative Examinations, Report Number A-07-95-00828, May 14, 1997***

We recommended that SSA direct State DDSs to negotiate contracts with medical provider networks for volume discounts on consultative examinations to the maximum extent possible. SSA implemented this recommendation in March 1999. The implemented recommendation is valued at \$11.3 million.

# Appendix C

---

## Reporting Requirements

The Inspector General Act of 1978, as amended, specifies reporting requirements for semiannual reports. The requirements are listed below and indexed to their appropriate pages in this Report.

Reporting Requirement	Page
Section 4(a)(2): Review of Legislation and Regulations	4
Section 5(a)(1): Significant Problems, Abuses, and Deficiencies	3-29
Section 5(a)(2): Recommendations With Respect to Significant Problems, Abuses and Deficiencies	3-29
Section 5(a)(3): Recommendations Described in Previous Semiannual Reports for Which Corrective Actions Have Not Been Completed	Appendix D
Section 5(a)(4): Matters Referred to Prosecutive Authorities	Throughout
Sections 5(a)(5) And 6(b)(2): Summary of Instance Where Information Was Refused	None
Section 5(a)(6): List of Audit Reports	33
Section 5(a)(7): Summary of Particularly Significant Reports	Throughout
Section 5(a)(8): Statistical Table Showing the Total Number of Audit Reports and Total Dollar Value of Questioned Costs	31
Section 5(a)(9): Statistical Table Showing the Total Number of Audit Reports and the Total Dollar Value of Recommendations That Funds be Put to Better Use	32
Section 5(a)(10): Audit Recommendations More Than 6 Months Old for Which No Management Decision Has Been Made	Appendix E
Section 5(a)(11): Significant Management Decisions That Were Revised During the Reporting Period	None
Section 5(a)(12): Significant Management Decisions With Which the OIG Disagrees	Appendix F

# Appendix D

---

## **Significant Monetary Recommendations From Prior Reports for Which Corrective Actions Have Not Been Completed**

***Monitoring Representation Payee Performance: Roll-up Report, Report Number A-09-96-64201, March 28, 1997***

1. Consider requiring reports from low-risk representative payees in 3-year intervals instead of annually.
2. Seek legislative relief from the Social Security Act and Jordan Court Order to change annual reporting requirements for some payees.

***Southwest Tactical Operation Plan: Investigative Results, Report Number A-06-97-22008, March 31, 1998***

Develop guidance on using locally determined characteristics warranting in-depth investigation to accurately determine residency status.

***Effects of State Awarded Workers' Compensation Payments on Social Security Benefits, Report Number A-04-96-61013, September 30, 1998***

Recognize and identify workers' compensation offset as a reportable internal control weakness under the Federal Managers' Financial Integrity Act, including its significant \$526.7 million effect on the Master Beneficiary Record, and the shortcomings in the administration and processing of workers' compensation offsets.

# Appendix E

---

## **Significant Non-Monetary Recommendations From Prior Reports For Which Corrective Actions Have Not Been Completed**

*Special Joint Vulnerability Review of the Supplemental Security Income Program, Report Number A-04-95-06020, December 16, 1997*

Modify the Supplemental Security Income Display to include additional comments or codes for the identification of potential fraud/abuse cases, subject to SSA's evaluation of the most advantageous method of presentation on the Supplemental Security Income Display.

*The Social Security Administration's Program for Monitoring the Quality of Telephone Service Provided to the Public, Report Number A-13-96-52001, July 31, 1997*

SSA should (1) require a PIN/password for log-on and (2) prevent the monitoring of calls from any telephone that is outside of SSA's telecommunication system.

*Effectiveness in Obtaining Records to Identify Prisoners, Report Number A-01-94-02004, May 10, 1996*

Provide a single standard for stopping payments to prisoners receiving OASDI and SSI benefits.



# Appendix F

---

## **Significant Management Decisions With Which the Inspector General Disagrees**

### ***Inconsistent Beneficiary Entitlement Periods, Report Number A-09-97-21003, July 2, 1998***

1. SSA should submit a legislative proposal to define age attainment as occurring on a person's birthday.
2. SSA should submit a legislative proposal to define the month after the individual's birthday as the first month of entitlement.

### ***Audit of Separation of Duties in the Social Security Administration's Modernized Supplemental Security Income Claims System (Confidential Report), Report Number A-07-96-21065, August 29, 1997***

SSA should improve separation of duties by preventing employees and supervisors from adjudicating claims for the same accounts on which they change death information or process SSN applications.

### ***Canada's Experience in Charging a User Fee for Social Insurance Number Cards, Report Number A-06-97-62003, May 22, 1997***

SSA should charge a fee for replacement SSN cards.

***Review of Internal Controls in the Social Security Administration's Modernized Claim System (Confidential Report), Report Number A-04-95-06019, May 16, 1997***

1. Notify number holder, within limitations of the Privacy Act, whenever individuals begin to receive benefits under their accounts.
2. Alert field office employees of the potential for fraudulent claims through the use of beneficiary responses to SSA's notification under Family Maximum Provisions.
3. Prevent supervisors from adjudicating claims and deleting death information by either maintaining separation of duties for these functions in TOP SECRET or by developing application controls to prevent these actions on the same claim.
4. Prevent supervisors from overriding controls on claims they have processed with unknown SSNs and/or death discrepancies.

***Audit of the Social Security Administration's Fiscal Year 1995 Financial Statements, Report Number A-13-96-51002, April 8, 1996***

Report lack of separation of duties as a material weakness under the Federal Managers' Financial Integrity Act.

# HOW TO REPORT FRAUD

The SSA Fraud Hotline offers a convenient means for you to provide information on suspected fraud, waste, and abuse. If you know of current or potentially illegal or improper activities involving SSA programs or personnel, we encourage you to contact the SSA Fraud Hotline.

Call      1-800-269-0271  
            410-597-0118 (Fax)

Write      Office of the Inspector General  
            Attention: SSA Fraud Hotline  
            P.O. Box 17768  
            Baltimore, MD 21235-7768

E-Mail    [Oig.hotline@ssa.gov](mailto:Oig.hotline@ssa.gov)

**To Obtain Additional Copies of This Report**

**Call**

**410-966-5998**

**Or**

**Write**

**Office of the Inspector General  
6401 Security Boulevard  
Room 300 Altmeyer  
Baltimore, MD 21235-0001**

**This Report is Also Available on The Internet at <http://www.ssa.gov/oig/>**